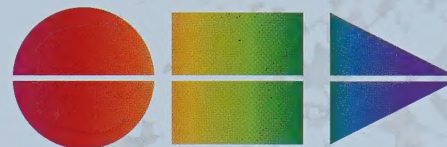


AR60

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



Stratabound
MINERALS CORP.

Annual Report 1996



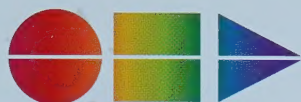
Stratabound
MINERALS CORP.

Annual Report 1996

Corporate Profile

Stratabound Minerals Corp. is a Canadian natural resource company exploring for base and precious metals in the provinces of New Brunswick, British Columbia and Ontario. The company has recently begun operating in Mexico through a wholly owned subsidiary, Compania Minera Stratamex, S.A. de C.V.

Stratabound was incorporated in 1986 and has traded on the Alberta Stock Exchange since September 1987. Outstanding share capital at December 31, 1996 comprised 6,056,881 shares.



Report to Shareholders

Stratabound continued exploring for mineral deposits in three Canadian provinces during 1996, and took steps to expand its operations internationally.

The company's properties cover large areas with superior geological potential for world class poly-metallic ore deposits.

Stratabound's 1996 exploration programs provided encouraging results and are described in the following Report on Operations, together with a preview of the 1997 programs now getting underway.

Late in the year Stratabound began to expand operations beyond Canada. Several countries were considered, with Mexico emerging as a clear first choice. This was due to a number of factors including the quality of available properties, relative political stability, superior infrastructure, low operating costs, and advantageous profit repatriation rules. A Mexican operating company wholly owned by Stratabound, Compania Minera Stratamex, S.A. de C.V., was formed early in 1997.

Our exploration strategy in Mexico is to concentrate on poly-metallic ore deposits, which contain zinc, lead, copper, gold, silver and minor other metals, and which have clear potential for developing into a mineable resource with a relatively small amount of exploration.

We expect that Stratabound's expertise in exploration, development and mining of such deposits, and the availability of under-explored properties that meet the above criteria, will quickly put the company in a leading position in Mexico.

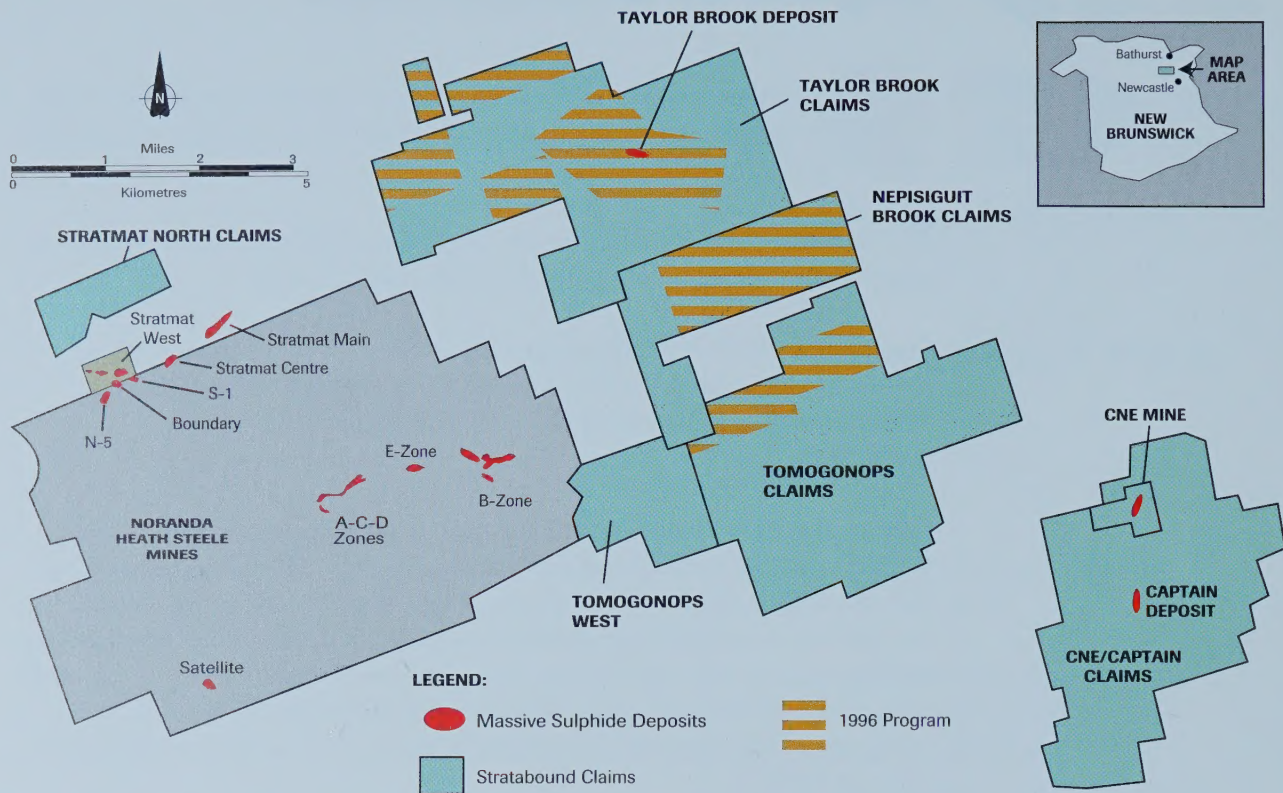
The company's first acquisition is in the northeastern state of Coahuila, and targets a ten kilometre long structure with known high grade workings and exceptional potential for additional discoveries.

Following a successful first-quarter private placement share issue that raised \$731,745, the company is well funded to carry out its 1997 programs in Canada, and to begin operations in Mexico.

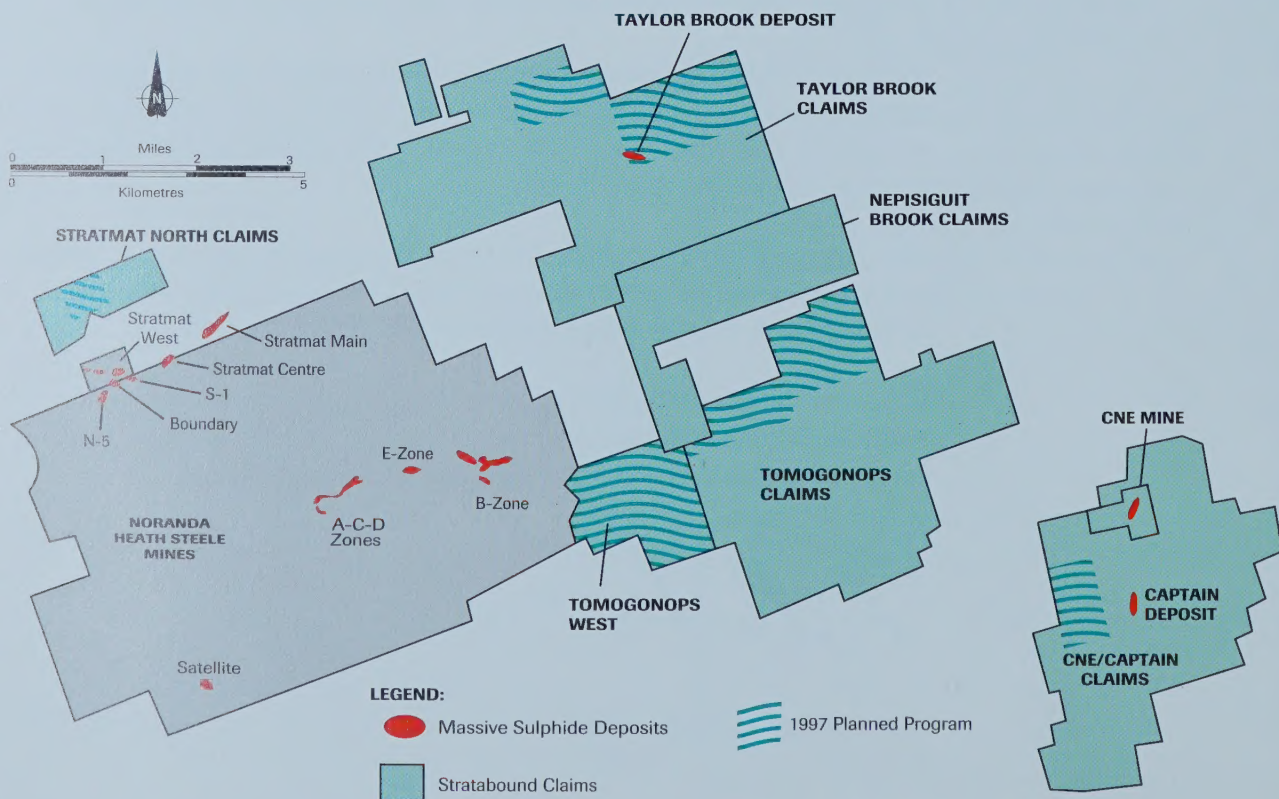
S. J. Stricker, P. Geol.
President

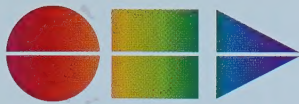
May 14, 1997

1996 Exploration Areas, New Brunswick Properties



1997 Exploration Areas, New Brunswick Properties





Report on Operations

Bathurst Camp Properties, New Brunswick (16,851 acres)

The company's 100%-owned New Brunswick claims represent a dominant land position in the world-class Bathurst base metal mining district. Stratabound's holdings include the **CNE Mine** (a zinc-lead-silver-gold past producer), and the **Captain** (copper-gold) and **Taylor Brook** (lead-zinc-silver) massive sulphide deposits.

Stratabound's **CNE Mine** is a small, near-surface zinc-lead-silver-gold deposit which previously generated significant revenue for the company. This deposit was explored and developed by Stratabound from 1988 to 1990, and was operated by the company as a small open pit mine from 1990 to 1992. Ore was delivered to Noranda's Heath Steele Mines operation for custom milling and marketing of metal concentrates, with zinc providing the major revenue component.

Current geological reserves at CNE are 178,000 tons averaging 7.8% zinc, 2.8% lead and 2.6 oz/ton silver, plus 34,000 tons of 1.3% copper and 0.02 oz/ton gold. Remaining mineable open pit reserves are estimated at 83,000 tons averaging 7.3% zinc, 2.6% lead and 2.6 oz/ton silver.

The **Captain** deposit is a significant massive sulphide occurrence of 197,000 tons (geological reserve) grading 2.1% copper, 0.017 oz/ton gold and 0.3 oz/ton silver.

Early in 1996, ten deep holes totalling 14,373 feet were drilled on the **Taylor Brook** massive sulphide deposit for a total of 26 holes to date, and an initial geological resource of 440,000 tons grading 4% zinc, 2% lead and 2 oz/ton silver was delineated, with the deposit open to depth.

It was decided that we would explore for new zones of near-surface mineralization throughout the extensive property, prior to continuing with further deep drilling. Work has included soil geochemical surveys, geological mapping, prospecting, and ground geophysics (I.P., EM-37, VLF-EM, magnetics). Starting in November, eleven holes totalling 3,662 feet were drilled on some of the near-surface targets generated by these surveys, all within a mile of the Taylor Brook sulphide zone.

Most of the holes intersected varying amounts of disseminated, stringer and semi-massive, pyritic sulphide mineralization, ranging in thickness from 9 to 119 feet. Five of the holes intersected three to seven foot widths of 0.7% to 2.3% combined zinc-lead, with silver values up to 1.4 oz/ton. One of these intersections is associated with a weak I.P. effect which strengthens with depth, suggesting metal

content may improve with deeper drilling. An unusually large zinc-in-soil anomaly was discovered almost one mile west of the Taylor Brook deposit, and an extensive zone of bedded pyrite was intersected in nearby drilling. The results of the 1996 program are considered encouraging, and follow-up work is planned this year.

Exploration was also carried out on the **Tomogonops** claim block three miles south of the Taylor Brook deposit, and outlined a 2.5 mile long lead-zinc-silver-copper soil anomaly. This feature was found to coincide spatially with a variety of strong magnetic and conductive bedrock responses representing potential drill targets. In February 1997, Stratabound extended this group of claims westward to the boundary of Heath Steele Mines. Massive pyrite zones are known to be present on the new claims near a cluster of airborne EM anomalies, indicating another area with good base metal potential. Work will continue on the Tomogonops and **Tomogonops West** claims this spring.

An exploration program is also planned for the **CNE/Captain** property this summer, beginning with an evaluation of airborne EM conductors located half a mile along strike southwest of the CNE Mine, and within the same distinctive geological formation. No less than 63 EM conductors were detected on the CNE/Captain claims in the government airborne geophysical surveys released last year.

Our 1997 New Brunswick exploration program includes prospecting, geological mapping, geophysics and soil sampling, and is now underway. Exploration drilling will follow, with 16 holes currently budgeted.

Swan and Rap Properties, Omineca Region, British Columbia (16,494 acres)

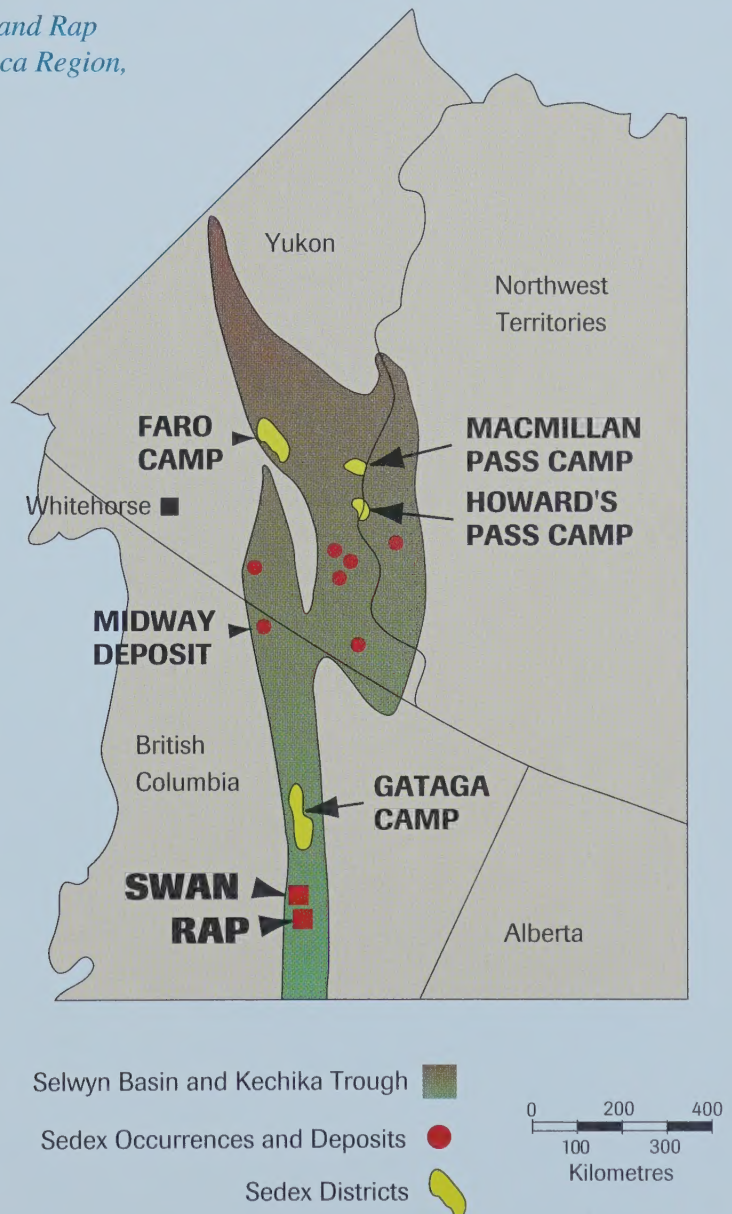
These large wholly owned lead-zinc-silver properties are located south of the Kechika Trough and Selwyn Basin in northeastern British Columbia.

Previous programs of reconnaissance and detailed rock and soil sampling confirmed the presence of widespread zinc, lead, silver and barite showings in several clusters along nine miles of strike length on the **Swan Property** (14,764 acres), including high grade surface mineralization in both the north and south. This work also confirmed highly anomalous levels of lead, zinc, silver, barium and other metals in soils covering extensive areas. These anomalies are impressive, comparing favourably in strength and extent with anomalies associated with world-class orebodies elsewhere in the Canadian Cordillera.

Six holes totalling 783 metres were drilled in 1996 at the south end of the property, and appeared to confirm the ground's potential for Mississippi Valley Type lead-zinc-silver deposits. Drilling conditions were difficult, and two holes did not reach target depth. Mineralized intervals were encountered containing significant levels of lead, zinc and silver (up to 8.3% lead, 3.5% zinc, 1.5 oz/ton silver across widths of 5 to 10 feet), despite extreme oxidation and very low core recoveries.

A 562 line-kilometre, helicopter-borne, five-frequency EM and high sensitivity magnetic survey will be completed this month, covering the entire property at 150 metre intervals. This survey is intended to detect "sedex" type, as well as Mississippi Valley type targets. Follow-up mapping, prospecting, ground geophysics and soil sampling are anticipated, followed by a six-hole drilling program.

Location of Swan and Rap Properties, Omineca Region, British Columbia



Montcalm Area, Timmins, Ontario (5,680 acres)

In Ontario, the company has been exploring for Archean-age nickel, copper and gold on optioned claims 45 miles west of Timmins, near Outokumpu Mines' large nickel-copper development. The claims are located in Watson and Belford Townships, at the western edge of the prolific Abitibi metallogenic belt.

Four holes (4,144 feet) were drilled more than five miles apart to test four of the numerous strong EM conductors on the property's seven mile long, high magnetic trend. These holes confirmed the presence of thick sections of ultramafic rocks and wide zones containing high concentrations of iron sulphides.

The drilling indicates rock types favourable for nickel-copper and Detour Lake type gold deposits. The iron sulphide zones drilled to date are up to 239 feet thick. Although no economic intervals have yet been found, the great thicknesses of massive pyrrhotite and pyrite encountered must be considered encouraging.

The deep-penetration geophysical surveys employed have been remarkably successful in detecting sulphide mineralization through hundreds of feet of overlying swamp, overburden and bedrock. Most of the potential drill targets remain untested.

Sierra Azul Property, Coahuila State, Northeast Mexico (1,882 hectares)

Stratabound has staked the entire 10 kilometre strike extent of a carbonate sequence that hosts the historic Santa Genoveva zinc-lead-silver-gold mine and several other old workings. The company entered into an option agreement to purchase a 100% interest in the three Santa Genoveva claims, subject to verification of all documentation. The optioned claims comprise 3% of the total area.

The Sierra Azul property is well located near the industrial city of Monclova, and is accessible by paved highway and good gravel road, close to a major railroad and a 220 Kv power line. Several lead-zinc smelters are located in the area.

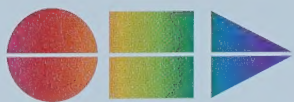
The exploration targets are large carbonate hosted, replacement type zinc-lead-silver-copper-gold deposits, which in the Mexican lead-zinc province can range up to 50 million tonnes in size, with in-ground metal values up to US\$7.5 billion.

Historic small-scale mining at Santa Genoveva since the last century has exploited near-surface, direct-to-smelter oxide ore, reported to have graded in excess of 30% combined zinc-lead. In the 1970s, ore-grade massive sulphide mineralization was encountered in the lowermost workings, about 30 metres below the access level, and 4,000 tonnes were extracted, averaging 12% zinc, 4% lead, 30 g/t silver and 0.25 g/t gold.

The potential for high grade mineralization is considered to be excellent along the 3.2 kilometre strike length that contains known showings and workings, and along the additional 6.2 kilometre length of unexplored favourable stratigraphy.

Location of Sierra Azul Property, Mexico





Stratabound Minerals Corp.

Audited Financial Statements

December 31, 1996

Auditor's Report

To the Shareholders of Stratabound Minerals Corp.

I have audited the balance sheets of Stratabound Minerals Corp. as at December 31, 1996 and 1995 and the statements of income and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
March 28, 1997

Chartered Accountant

Balance Sheets

December 31, 1996

	1996	1995
Assets		
<i>Current</i>		
Cash and short term investments	\$ 272,053	\$ 599,403
Accounts receivable	17,067	11,300
	<u>289,120</u>	<u>610,703</u>
<i>Reclamation bonds</i>	19,050	19,050
<i>Property and equipment (note 2)</i>	<u>3,248,933</u>	<u>1,925,231</u>
	<u>\$ 3,557,103</u>	<u>\$2,554,984</u>
 Liabilities and Shareholders' Equity		
<i>Accounts payable and accrued liabilities</i>	\$ 95,039	\$ 47,596
<i>Reclamation provision</i>	<u>10,800</u>	<u>10,800</u>
	<u>105,839</u>	<u>58,396</u>
<i>Shareholders' equity</i>		
Share capital (note 3)	3,982,573	2,746,328
Deficit	(531,309)	(249,740)
	<u>3,451,264</u>	<u>2,496,588</u>
	<u>\$3,557,103</u>	<u>\$2,554,984</u>

Approved by the Board:



Director



Director

See accompanying notes to financial statements.

Statements of Income and Deficit

Year ended December 31

	1996	1995
Revenues		
<i>Petroleum</i>	\$ 12,725	\$ 57,941
<i>Interest</i>	13,383	14,868
	<u>26,108</u>	<u>72,809</u>
Expenses		
<i>Royalties</i>	325	19,849
<i>Petroleum</i>	—	14,768
<i>Mining</i>	7,395	10,040
<i>General and administrative</i>	240,528	191,856
<i>Gain on sale of oil and gas properties</i>	—	(124,391)
<i>Depletion and amortization</i>	59,429	135,789
	<u>307,677</u>	<u>247,911</u>
Net Loss	281,569	175,102
Deficit, beginning of year	249,740	74,638
Deficit, end of year	<u>\$ 531,309</u>	<u>\$ 249,740</u>
Loss per share	<u>4.6¢</u>	<u>4.2¢</u>

See accompanying notes to financial statements.

Statements of Changes in Financial Position

Year ended December 31

	1996	1995
Operating		
<i>Net loss</i>	\$ (281,569)	\$ (175,102)
<i>Items not involving cash</i>		
Gain on sale of oil and gas properties	—	(124,391)
Depletion and amortization	59,429	135,789
	(222,140)	(163,704)
<i>Net changes in non-cash working capital</i>	41,676	(105,751)
<i>Cash used in operating activities</i>	(180,464)	(269,455)
Financing		
<i>Issuance of share capital (note 3)</i>		
For cash	864,345	550,900
For acquisition of mineral claims	88,000	15,000
Warrants exercised	260,000	—
Options exercised	23,900	—
<i>Cash provided by financing activities</i>	1,236,245	565,900
Investing		
Proceeds on sale of oil and gas properties	—	393,916
Property and equipment	(1,383,131)	(444,464)
<i>Cash used in investing activities</i>	(1,383,131)	(50,548)
Increase (decrease) in cash	(327,350)	245,897
Cash and short term investments, beginning of year	599,403	353,506
Cash and short term investments, end of year	\$ 272,053	\$ 599,403

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 1996

1. SIGNIFICANT ACCOUNTING POLICIES

Mining Properties

All costs related to the acquisition of, exploration for, and development of mineral properties are capitalized. Upon commencement of production, the related accumulated costs are amortized against future income from the project using the unit-of-production method. Costs which are not considered economically recoverable through mining operations, through sale of reserves, or which are related to projects that are allowed to lapse, are expensed.

When mineral properties are optioned or sold, proceeds will be credited to the cost of the property. If no future capital expenditure is required and proceeds exceed cost, the amount is reported as a gain.

Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas activities. Under this method, all costs associated with the acquisition of, exploration for, and development of oil and gas reserves are capitalized. Proceeds from the disposition of properties will be applied as a reduction of the cost of the remaining assets, except when a significant disposition occurs, in which case a gain or loss on disposal is recorded. A significant disposition would cause a change of 20% or more in the depletion and amortization rate. Depletion is calculated using the unit-of-production method.

The Company provides for estimated future costs to restore and abandon oil and gas properties based upon current costs and regulations. The future cost is amortized using the unit-of-production method. The annual charge is recorded as depletion, with the accumulated amount recorded as a long-term liability.

The Company calculates a 'cost ceiling' which limits the capitalized costs less accumulated depletion, site restoration costs and deferred income taxes to the sum of the following:

- (i) The estimated undiscounted future net revenue derived using proved reserves and year end prices net of site restoration costs, financing costs, production related general and administrative costs and income taxes; and
- (ii) Unproved properties at cost less impairment.

Joint Venture Activities

These financial statements reflect only the Company's proportionate interest in exploration and production activities conducted jointly with others.

Office Equipment

Office equipment is recorded at cost and amortized on the declining balance method at rates of 20% to 30%.

2. PROPERTY AND EQUIPMENT

December 31, 1996

	Cost	Accumulated Depletion and Amortization	Net
Mining properties	\$3,411,184	\$ 190,742	\$3,220,442
Oil and gas properties	34,897	10,700	24,197
Office equipment	25,553	21,259	4,294
	<u>\$3,471,634</u>	<u>\$ 222,701</u>	<u>\$3,248,933</u>

December 31, 1995

	Cost	Accumulated Depletion and Amortization	Net
Mining properties	\$2,083,788	\$ 190,742	\$1,893,046
Oil and gas properties	34,795	8,200	26,595
Office equipment	25,553	19,963	5,590
	<u>\$2,144,136</u>	<u>\$ 218,905</u>	<u>\$1,925,231</u>

At December 31, 1996, the Company has non-producing mining properties with a net carrying value of \$3,220,442 (1995 - \$1,893,046) and non-producing oil and gas properties with a net carrying value of \$8,797 (1995 - \$11,195) which have not been subject to depletion.

3. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares, without nominal or par value.

(b) Issued

December 31, 1996

	Number of Shares	Amount
Issued and outstanding at December 31, 1995	5,024,364	\$2,746,328
Share transactions during 1996 for:		
Acquisition of mineral claims	56,250	88,000
Issuance of flow-through shares	484,867	795,630
Private placements	48,400	68,715
Options exercised	43,000	23,900
Warrants exercised	400,000	260,000
Issued and outstanding at December 31, 1996	<u>6,056,881</u>	<u>\$3,982,573</u>

3. SHARE CAPITAL (cont.)

	December 31, 1995	
	Number of Shares	Amount
Issued and outstanding at December 31, 1994	4,024,793	\$2,180,428
Share transactions during 1995 for:		
Acquisition of mineral claims	53,571	15,000
Issuance of flow-through shares	506,000	328,900
Private placements	400,000	200,000
Options exercised	40,000	22,000
Issued and outstanding at December 31, 1995	5,024,364	\$2,746,328

During 1996 and 1995 the Company issued 484,867 and 506,000 flow-through shares respectively, to finance exploration expenditures. The terms of the flow-through share agreements allow the Company to renounce Canadian Exploration Expenditures (CEE), as defined in the Canadian Income Tax Act, to the investors. These CEE deductions are deductible by investors for income tax purposes and accordingly are not available to the Company.

(c) Stock Options Outstanding

Date of Issue	Exercise Price	Options Outstanding	Expiry Date
February 23, 1994	\$0.55	267,000	February 23, 1999
June 28, 1995	\$0.60	75,000	June 8, 2000
January 15, 1996	\$0.95	33,500	January 14, 2001
September 12, 1996	\$1.20	200,000	September 12, 2001

Date of Issue	Exercise Price	Warrants Outstanding	Expiry Date
August-December, 1996	\$1.75	209,400	February-June, 1998
August-December, 1996	\$1.60	63,600	February-June, 1998

4. LOSS PER SHARE

Loss per share is calculated using the weighted average number of common shares outstanding during the year. There would be no significant dilutive effect on loss per share as a result of the share options being exercised.

5. INCOME TAXES

At December 31, 1996, the company had approximately \$1,981,819 (1995 - \$1,409,209) of unused cumulative Canadian exploration and development expenses, earned depletion and tangibles

5. INCOME TAXES (cont.)

available to offset future taxable income. The tax benefits pertaining to these expenses are available for carry forward indefinitely.

At December 31, 1996 the company had non-capital losses of approximately \$701,911 (1995 - \$480,856) available for offset against future taxable income. If these losses are not utilized, they will expire as follows:

1999	\$ 60,965
2000	152,137
2001	127,740
2002	140,014
2003	<u>221,055</u>
	<u>\$ 701,911</u>

No tax benefits pertaining to these amounts have been recognized in the accounts.

6. SEGMENTED INFORMATION

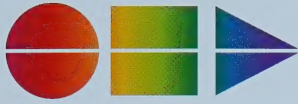
	December 31, 1996		
	Petroleum	Mining	Total
Revenues, net of royalties	\$ 12,400	\$ —	\$ 12,400
Operating costs	—	(7,395)	(7,395)
Depletion	(58,133)	—	(58,133)
Operating income (loss)	<u>\$ (45,733)</u>	<u>\$ (7,395)</u>	<u>(53,128)</u>
Less:			
General and administrative			240,528
Amortization of office equipment			1,296
Interest income			<u>(13,383)</u>
Net loss			<u>\$ 281,569</u>
Property and equipment	<u>\$ 24,197</u>	<u>\$3,220,442</u>	<u>\$3,244,639</u>
Office equipment			<u>4,294</u>
			<u>\$3,248,933</u>
Additions to property and equipment	<u>\$ 102</u>	<u>\$1,383,029</u>	<u>\$1,383,131</u>

6. SEGMENTED INFORMATION (cont.)

	December 31, 1995		
	Petroleum	Mining	Total
Revenues, net of royalties	\$ 38,092	\$ —	\$ 38,092
Operating costs	(14,768)	(10,040)	(24,808)
Depletion	(134,074)	—	(134,074)
Gain on sale of oil and gas properties	124,391	—	124,391
Operating income (loss)	<u>\$ 13,641</u>	<u>\$ (10,040)</u>	3,601
Less:			
General and administrative			191,856
Amortization of office equipment			1,715
Interest income			<u>(14,868)</u>
Net loss			<u>\$ 175,102</u>
Property and equipment	<u>\$ 26,595</u>	<u>\$1,893,046</u>	1,919,641
Office equipment			<u>5,590</u>
			<u>\$1,925,231</u>
Additions to property and equipment	<u>\$ 106,106</u>	<u>\$ 337,560</u>	\$ 443,666
Office equipment additions			<u>798</u>
			<u>\$ 444,464</u>

7. SUBSEQUENT EVENTS

During the first quarter of 1997, the Company issued 509,050 common shares for net proceeds of \$731,745.



Corporate Information

BOARD OF DIRECTORS

Stanley J. Stricker, Calgary, Alberta
Jerry D. Blackwell, Vancouver, British Columbia
Michael S. Mann, Calgary, Alberta
Richard W. Hutchinson, Golden, Colorado
C. Franklin Agar, Calgary, Alberta

OFFICERS

Stanley J. Stricker, President
Susan J. Stricker, Secretary-Treasurer

CORPORATE OFFICE

Suite 518, 222 - 58th Avenue S.W.
Calgary, Alberta T2H 2S3
Telephone: (403) 258-3630
Fax: (403) 259-4389

CONSULTANTS

Canada: Glenn G. Lutes
International: Goodwin & Associates

SOLICITORS

Macleod Dixon, Calgary

AUDITOR

Garry W. Luna, Calgary

BANKER

Bank of Montreal

REGISTRAR AND TRANSFER AGENT

Montreal Trust, Calgary

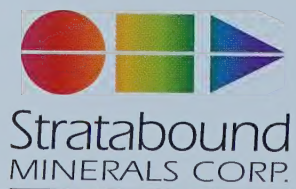
STOCK EXCHANGE LISTINGS

Alberta Stock Exchange
Symbol: SB

OTC Bulletin Board
Symbol: SBMCF

ANNUAL MEETING

Stratabound Minerals Corp.'s annual meeting will be held at the company's registered office at Macleod Dixon, 3700 Canterra Tower, 400 - 3rd Avenue S.W., Calgary, Alberta on June 26, 1997 at 2:00 p.m.



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